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SS-15 SSO-00 INRE-00 /070 W
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FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 1526

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMCONSUL NHA TRANG

AMEMBASSY PARIS

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

USDEL JEC PARIS UNN

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA/ATCS-WL-DSA

CINCPAC

CINCPACAF

CINCPACFLT

CINCUSARPAC

DEPCHIEF JUSMAAG UDORN

USDAO/SAIGON

AMEMBASSY LONDON

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY COTONOU

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AMEMBASSY PHNOM PENH

AMEMBASSY STOCKHOLM
AMEMBASSY VIENTIANE
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AMEMBASSY WELLINGTON

C O N F I D E N T I A L SECTION 1 OF 4 SAIGON 0041

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: PINT PFOR ECON VS
SUBJ: EMBASSY SAIGON'S MISSION WEEKLY FOR

DEPARTMENT PASS IMMEDIATE IBS/NCA

WEEKA ITEMS

--THE CEASEFIRE

--AN QUANG HIGH SECULAR COUNCIL ELECTIONS

--THIEU'S TRAVELS

--PRESIDENTIAL LIBEL CASE: MILITANT LAWYERS AND PRESS
SCORE POINTS IN COURT

--CATHOLIC STUDENT PROTEST

--NEW PRIVATE SCHOOLS LAW PROMULGATED

--PRESIDENT THIEU CALLS AGAIN FOR NEGOTIATIONS

--GVN NOTE PROTESTS COMMUNIST ATTACKS

--SENATE PASSES 1975 BUDGET

--FLESHING OUT THE NEW ECONOMIC TEAM

--ADB LOAN FOR VIETNAM

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--PRICES UP 40 PERCENT IN 1974

--GOLD AND DOLLAR RATES CONTINUE RISING

I. INTERNAL

A. THE CEASEFIRE

DURING THE PAST WEEK RAINY WEATHER CONDITIONS IN MR-1 CONTINUED TO LIMIT MILITARY ACTIVITY TO SCATTERED, SMALL CONTACTS. SIMILARLY, FIGHTING IN MR-2 HELD AT A LOW LEVEL FOR THE THIRD STRAIGHT WEEK. IN BINH DINH, ATTACKS BY FIRE WERE THE COMMUNISTS' MAJOR EFFORT. IN ONE THREE-DAY PERIOD, THE NVA/VC POURED 250 MORTAR ROUNDS ON A GVN POSITION IN PHU MY DISTRICT. THE KONTUM/PLEIKU FRONT REMAINED QUIET. AGGRESSIVE PATROLLING BY RANGERS HAS APPARENTLY KEPT THE COMMUNISTS OFF BALANCE AROUND KONTUM CITY. THE RECENT REGROUPING OF ALL RANGER ELEMENTS UNDER THEIR OWN COMMAND STRUCTURE SEEMS TO HAVE INCREASED THEIR EFFECTIVENESS. IN QUANG DUC PROVINCE A RANGER LONG-RANGE PATROL TEAM KILLED TEN COMMUNISTS AND CAPTURED SEVERAL

DOCUMENTS

WONDAU IN THE SAME GENERAL AREA, NVA/VC ANTI-AIRCRAFT FIRE DOWNED A VNAF A-37 WHICH WAS BOMBING TROOP CONCENTRATIONS. MR-3 CONTINUED TO BEAR THE BRUNT OF COMBAT ACTIVITY AS COMMUNIST FORCES SCORED SOME SUCCESSES DURING THE WEEK, NOTABLY THE CAPTURE OF TANH LINH DISTRICT TOWN IN BINH TUY PROVINCE AND DONG ZOAI, CAPITAL OF DON LUAN DISTRICT IN PHUOC LONG PROVINCE, THE ROCKETING OF BIEN HOA AIRFIELD ON DEC 26, AND THE PARTIAL DESTRUCTION OF THE IMPORTANT PHU CUONG BRIDGE IN BINH DUONG BY SAPPHERS. THE SITUATION IN BELEAGUED SONG BE, CAPITAL OF PHUOC LONG PROVINCE WORSENER AS THE COMMUNISTS THICKENED ANTI

AIRCRAFT DEFENSES IN THE AREA AND SHOT DOWN A C-130 AS IT LIFTED OFF FROM A RESUPPLY MISSION ON DEC 25. ON THE GVN SIDE, A RESUPPLY MISSION TO THE ISOLATED TROOPS ATOP BLACK VIRGIN MOUNTAIN IN TAY NINH PROVINCE WAS SUCCESSFULLY CARRIED OUT. ALSO, VNAF AIRSTRIKES AGAINST A CONVOY OF FIFTEEN TRUCKS IN NORTHEASTERN TAY NINH RESULTED IN A REPORTED EIGHT TRUCKS DESTROYED AND TWENTY COMMUNIST SOLDIERS KILLED. FIGHTING ALSO TAPERED OFF SLIGHTLY IN THE DELTA OVER THE WEEK, BUT REMAINED WELL ABOVE NORMAL "LOW POINT" LEVELS. CONFIDENTIAL

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ATTACKS BY FIRE PREDOMINATED AND THERE WERE NINETEEN TERRORIST INCIDENTS. IN ONE OF THE WEEK'S MOST SERIOUS INCIDENTS, 22 CIVILIANS WERE KILLED AND 25 WOUNDED WHEN THEIR WATER TAXI HIT A MINE ON A CANAL IN KIEN TUONG PROVINCE.

B. AN QUANG HIGH SECULAR COUNCIL ELECTIONS

THE AN QUANG BUDDHIST CHURCH HELD ITS SIXTH ANNUAL CONGRESS DEC 26 AND 27, THE MAIN PURPOSE OF WHICH WAS ELECTION OF THE CHURCH'S HIGH SECULAR COUNCIL (HSC). COMPOSITION OF THE NEW HSC, WHICH IS CHOSEN BY THE VOTES OF PROVINCIAL CHAPTERS, REMAINS ALMOST THE SAME AS BEFORE, A VICTORY FOR THAT FACTION UNDER THE LEADERSHIP OF THICH TRI QUANG. TRI QUANG AND THICH THIEN MINH, NOW AS BEFORE ONLY "ADVISORS" ON THE COUNCIL, ARE ACKNOWLEDGED TO BE IN FACT ITS TWO MOST INFLUENTIAL MEMBERS. AT LAST YEAR'S

CONGRESS RIVALRIES BETWEEN THE TWO OVER CONTROL OF THE HSC RESULTED IN AN ACRIMONIOUS DEADLOCK, WHICH THE AN QUANG SUPREME PATRIARCH BROKE BY HIMSELF APPOINTING A NEW HSC.

THE RECTOR OF THE HSC REMAINS THICH TRI THU. MOST OF THE OTHER INCUMBENTS ALSO WON REELECTION INCLUDING COMMISSIONER GENERAL FOR YOUTH AFFAIRS THICH GIAC DUC, WHOSE POSITION WAS UNDER CHALLENGE. THE ONLY SIGNIFICANT CHANGE WAS THE ELEVATION OF FORMER DEPUTY RECTOR AND OFFICIAL SPOKESMAN QUANG DO TO THE SECRETARY GENERALSHIP,, THE SECOND MOST IMPORTANT POSITION ON THE COUNCIL. QUANG, WAS IN COMPETITION FOR THE POSITION OF SECRETARY GENERAL WITH THICH HUYEN QUANG, A CLOSE ALLY OF THEIN MINH.

MODERATE AN QUANG SENATOR TON THAT NIEM, WHO FAVORS THE THIEN MINH FACTION, TOLD US DEC 28 THAT THE ELECTIONS REPRESENTED A VICTORY FOR TRI QUANG. HE APPEARED NEVERTHELESS TO BE RELIEVED THAT THE ELECTIONS HAD BEEN COMPLETED WITHOUT DEGENERATION INTO THE SORDID SQUABBLES THAT CHARACTERIZED LAST YEAR'S EFFORT. HE SAID TOO THAT, ALTHOUGH THE TRI QUANG FACTION, WHICH IS GENERALLY SHARPER IN ITS CRITICISM OF THE THIEU ADMINISTRATION THAN ITS RIVAL, HAD STRENGTHENED ITS HOLD ON THE TOP POSITIONS IN THE HSC, THEY STILL DO NOT COMMAND A MAJORITY THERE.

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FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 1527

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMCONSUL NHA TRANG

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AMEMBASSY TOKYO
USIA WASHDC
USDEL JEC PARIS UNN
CIA
DIA
JCS
JUSMAAG
WHITE HOUSE
USAJFKCMA/ATCS-WL-DSA
CINCPAC
CINCPACAF
CINCPACFLT
CINCUSARPAC
DEPCHIEF JUSMAAG UDORN
USDAO/SAIGON
AMEMBASSY LONDON
AMEMBASSY BUDAPEST
AMEMBASSY CANBERRA
AMEMBASSY COTONOU
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C O N F I D E N T I A L SECTION 2 OF 4 SAIGON 0041

CINCPAC FOR POLAD

C. THIEU'S TRAVELS

PRESIDENT THIEU GAVE THREE SPEECHES OUTSIDE SAIGON
RECENTLY, STRESSING THE NEED FOR ORDER IN INTERNAL POLITICS,
RESISTANCE TO THE COMMUNISTS, AND SELF-RELIANCE IN
ECONOMIC DEVELOPMENT.

THE PRESIDENT USED "SELF-HELP" AS HIS THEME IN ADDRESSING
THE VIETNAMESE BOY SCOUT NATIONAL JAMBOREE IN GIA DINH ON
DEC 23. AT A DEC 28 GRADUATION CEREMONY AT THE NATIONAL
MILITARY ACADEMY IN DALAT, THE PRESIDENT REPORTEDLY STATED:
"WE HAVE FREEDOM AND DEMOCRACY, BUT IT CANNOT BE FREEDOM
AND DEMOCRACY IN DISORDER, BECAUSE ONCE THERE IS DISORDER
THE NATION WILL BE LOST TO COMMUNIST HANDS...NO ONE HAS THE
RIGHT TO USE THE LABEL OF ANY PARTY, ANY RELIGION TO
DISTURB NATIONAL SECURITY AND GO BEYOND THE FRAMEWORK OF THE

CONSTITUTION." IN ADDITION, THE PRESIDENT CALLED FOR
"STRENUOUS EFFORTS" TO DEVELOP THE COUNTRY ECONOMICALLY.

THE NEXT DAY, AT THE SONG PHA LAND RECLAMATION-HAMLET
REBUILDING AREA IN NINH THUAN PROVINCE, PRESIDENT THIEU PRO-
CALAIMED "...THE SLOGAN FOR 1975: 'ALL FOR PRODUCTION*'"
THIEU ADDED THAT EVERY BOY AND GIRL IN THE AREA SHOULD JOIN
THE PSDF, PF, OR RF TO DEFEND THEIR VILLAGES AND HAMLETS IN
ORDER TO GIVE "PRIORITY TO ANTI-COMMUNISM". THE PRESIDENT
PROMISED TO RETURN TO CELEBRATE TET WITH AREA RESIDENTS.

D. PRESIDENTIAL LIBEL CASE: MILITANT LAWYERS AND PRESS SCORE POINTS
IN COURT

THE TRIAL OF THREE NEWSPAPERS - TO WHICH A FOURTH, DONG
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PHUONG, HAS NOW BEEN ADDED - ACCUSED OF LIBELLING PRESIDENT
THIEU (LAST WEEK'S WEEKA) HAS BEEN POSTPONED UNTIL FEB 20
BUT THE OPPOSITION IS DOING ITS BEST TO KEEP INTEREST IN THE
TRIAL ALIVE. DURING THE TRIAL'S OPENING SESSION DEC 26,
LAWYERS FOR THE DEFENSE SUCCEEDED IN GETTING THE JUDGE TO
AGREE TO SUBPOENA HIGH LEVEL WITNESSES TO INCLUDE THE PRESIDENT
AND VICE PRESIDENT TO APPEAR IN COURT WHEN THE TRIAL RECON-
VENES. ANOTHER PAPER (SONG THAN) THEN REPRINTED THE FULL
TEXT OF THE ORIGINAL ACCUSATION AGAINST THE PRESIDENT AND
VICE PRESIDENT, WHICH THE LOWER HOUSE PEOPLE'S SOCIETY BLOC
REISSUED ON THE DAY OF THE TRIAL - THE SAME ACT FOR WHICH THE
GOVERNMENT INITIALLY BROUGHT CHARGES AGAINST THE PAPERS ON
TRIAL. COMMENT: THE SAIGON MILITANT LAWYERS, WHO ARE DE-
FENDING THE NEWSPAPERS, WILL HAVE PUT THE GOVERNMENT IN A
POTENTIALLY EMBARRASSING POSITION IF THE PRESIDING JUDGE
ACTUALLY SUBPOENAS THE PRESIDENT AND OTHER HIGH OFFICIALS.
ONE POSSIBLE SOLUTION, WHICH WE UNDERSTAND HAS BEEN CONSIDERED
AT TOP LEVELS IN THE CASE OF THE THREE PAPERS CHARGED WITH
PRINTING FR. THANH'S SO-CALLED INDICTMENT NO. 1, IS FOR THE
GOVERNMENT TO DROP THE LIBEL CHARGES. (IN CONSIDERING HOW TO
HANDLE THESE CASES, THE GOVERNMENT MUST DECIDE WHETHER TO
ALLOW EXTREME AND POSSIBLE LIBELOUS ATTACKS ON THE PRESIDENT
TO CONTINUE OR TO RUN THE RISK OF CONTINUED CONFRONTATION
WITH A SIGNIFICANT PART OF THE SAIGON LEGAL COMMUNITY OVER
THIS ISSUE.)

E. CATHOLIC STUDENT PROTEST

CATHOLIC STUDENTS STAGED A RALLY OF ABOUT 200 (INCLUDING
A NOMINAL CONTINGENT OF BUDDHIST STUDENTS, PACM LEADERS AND
OTHER FAMILIAR ADMINISTRATION CRITICS) AT A SUBURBAN CHURCH
ON NEW YEAR'S DAY IN A RARE INSTANCE OF OPPOSITIONIST STUDENT
ACTIVISM. THEY DEMANDED RELEASE OF ALLEGED POLITICAL

PRISONERS AND REPEAL OF ALLEGED ANTI-DEMOCRATIC LAWS AND
PROTESTED MILITARY CONSCRIPTION OF STUDENTS. AFTER THE
MEETING, A 30-STUDENT CONTINGENT, LED BY FR. TRAN HUU THANH
AND OTHERS, MARCHED OUT INTO THE STREET WHERE THEY WERE SOON
STOPPED BY POLICE BARRICADES. THEY THEN RETURNED TO THE CHURCH
AND DISPERSED WITHOUT INCIDENT. ALL THE ABOVE IS FROM POLICE REPORTS

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F. NEW PRIVATE SCHOOL LAW PROMULGATED

PRESIDENT NGUYEN VAN THIEU ON DEC 24 PROMULGATED LAW
017/74 OUTLINING THE STATUS OF PRIVATE PRIMARY AND SECONDARY
SCHOOLS. THE NEW LAW ESTABLISHES CRITERIA FOR PRIVATE
SCHOOLS, OUTLINES HOW THEY MAY QUALIFY FOR GOVERNMENT AID
AND TAX EXEMPTIONS, SPECIFIES CURRICULA TO BE FOLLOWED, GRANTS
PRIVATE SCHOOL DIPLOMAS A STATUS EQUIVALENT TO THOSE OF PUBLIC
SCHOOLS, AND PLACES RESPONSIBILITY FOR PRIVATE SCHOOLS WITH
THE MINISTRY OF CULTURE, EDUCATION AND YOUTH.

COMMENT: THIS LAW CODIFIES AND CENTRALIZES MANY EXISTING
REGULATIONS PERTAINING TO PRIVATE SCHOOLS, AS WELL AS
INSTITUTING NEW REQUIREMENTS TO UPGRADE EDUCATIONAL QUALITY.
PRIVATE SCHOOLS PLAY AN IMPORTANT PART IN VIETNAMESE PRIMARY
AND SECONDARY EDUCATION, AS THE PUBLIC SCHOOL SYSTEM HAS FAR
TOO FEW PLACES FOR ALL WHO WISH TO ATTEND. IN THE PAST,
PRIVATE SCHOOLS HAVE BEEN SUBJECT TO FEW CONTROLS, A CONDITION
WHICH MAY ACCOUNT FOR THE FACT THAT A SUBSTANTIALLY
SMALLER PERCENTAGE OF PRIVATELY EDUCATED YOUNGSTERS PASSED
THE TU TAI, OR BACCALAUREATE, EXAMINATION THAN THOSE TRAINED
AT PUBLIC SCHOOLS.

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SS-15 SSO-00 INRE-00 /070 W
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O R 021042Z JAN 75
FM AMEMBASSY SAIGON
TO SECSTATE WASHDC IMMEDIATE 1528
INFO AMEMBASSY BANGKOK
AMCONSUL BIEN HOA
AMCONSUL CAN THO
AMCONSUL DANANG
AMEMBASSY JAKARTA
AMCONSUL NHA TRANG
AMEMBASSY PARIS
AMEMBASSY SEOUL
AMEMBASSY TOKYO
USIA WASHDC
USDEL JEC PARIS UNN
CIA
DIA
JCS
JUSMAAG
WHITE HOUSE
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CINCPACFLT
CINCUSARPAC
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CINCPAC FOR POLAD

II. EXTERNAL

A. PRESIDENT THIEU CALLS AGAIN FOR NEGOTIATIONS

IN HIS REPLY TO THE NEW YEAR GOOD WISHES OF THE DIPLOMATIC CORPS
DEC 31 PRESIDENT THIEU RECALLED HIS GOVERNMENT ON NOV 7 HAD
"SPECIFICALLY PROPOSED THAT THE TALKS AT LA CELLE SAINT CLOUD
AND IN SAIGON SHOULD BE RESUMED IMMEDIATELY WITHOUT ANY PRE-
CONDITIONS". THIEU NOTED COMMUNIST SIDE HAD "TURNED A DEAF EAR"
TO THIS PROPOSAL, WAS CONTINUING TO VIOLATE ALL PROVISIONS OF THE
AGREEMENT, AND HAD RECENTLY INTENSIFIED ITS WAR OF AGGRESSION
"BY FORCIBLY SEIZING A NIMBER OF DIXTRICT TOWNS IN A GENERALIZED
OFFENSIVE WHICH PRSAGES FIGHTING ON A MUCH LARGER SCALE IN DAYS
TO COME."

THE PRESIDENT EMPHASIZED HIS DETERMINATION TO PUSH AHEAD
WITH ECONOMIC DEVELOPMENT IN SPITE OF WAR, EXPRESSED APPRECIATION
FOR FOREIGN ASSISTANCE, AND EXPRESSED THE BELIEF RVN IN THE NOT
TOO DISTANT FURURE WILL BE ABLE TO CONTRIBUTE TO THE INTERNATIONAL
COMMUNITY IN BOTH FOOD AND ENERGY.

B. GVN NOTE PROTESTS COMMUNIST ATTACKS

A GVN NOTE TO THE PARTIES TO THE ACT OF THE INTERNATIONAL CON-
FERENCE ON VIETNAM TO BE RELEASED JAN 3 PROTESTS RECENT NORTH
VIETNAMESE SEIZURE OF FIVE DISTRICT TOWNS AND ONE BASE DURING
LAST THREE WEEKS OF DECEMBER, THUS BRINGING TO TEN NUMBER OF DIS-
TRICT TOWNS CAPTURED SINCE SEIZURE OF DAK PEK MAY 16, 1974.
NOTE TERMS THESE ACTS "ALL THE MORE SIGNIFICANT AS THEY OCCURRED
AS AN ANSWER TO THE DECLARATION ON 7 NOVEMBER 1974 OF THE GOVERN-
MENT OF THE REPUBLIC OF VIETNAM WHICH CALLS FOR THE RESUMPTION
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OF NEGITIATIONS WITHOUT ANY PRECONDITIONS IN ORDER TO RESTORE
PEACE." NOTE FURTHER DECLARES THESE ACTS OF WAR SHOW "UNMISTAKABLY
THE DETERMINATION OF THE HANOI ADMINISTRATION TO ATTEMPT TO TAKE
OVER SVN BY FORCE OF ARMS, IN TOTAL DISREGARD OF THE PARIS AGREEMENT
OF 27 JANUARY 1973". NOTE REITERATES GVN DETERMINATION TO
RESPECT AND IMPLEMENT PARIS AGREEMENT BUT WARNS THAT GVN MUST
RESERVE ITS RIGHT TO TAKE ALL MEASURES REQUIRED FOR SELF DEFENSE.
NOTE CALLS ON RECIPIENTS TO ACT TO ENSURE THAT COMMUNIST SIDE
CEASES ITS BELLIGERENCY AND RESUMES TALKS FOR A PEACEFUL SOLUTION
OF THE VIETNAM ISSUE.

END CONFIDENTIAL

BEGIN UNCLASSIFIED

III ECONOMIC

A. SENATE PASSES 1975 BUDGET

AFTER A THREE-DAY DEBATE LAST WEEK, THE SENATE APPROVED A VN\$785.4 BILLION NATIONAL BUDGET FOR 1975. THE SENATE VERSION IS VN\$10 BILLION MORE THAN THE HOUSE HED EARLIER VOTED, BUT VN\$40 BILLION LESS THAN THE ADMINISTRATION'S ORIGINAL VN\$825 BILLION REQUEST. THE BILL NOW GOES BACK TO THE LOWER HOUSE, WHICH WILL NEED TO MUSTER A 2/3 MAJORITY TO OVERRIDE SENATE REVISIONS. AFTER FINAL HOUSE ACTION, THE NATIONAL ASSEMBLY WILL TRANSMIT THE BUDGET TO THE PRESIDENT. IF THE PRESIDENT OBJECTS TO PORTIONS OF THE APPROVED BUDGET, HE MUST GAIN A SIMPLE MAJORITY IN A PLENARY SESSION OF THE FULL ASSEMBLY TO EFFECT CHANGES.

THE SENATE RESTORED VN\$14 BILLION OF VN\$18 BILLION THAT THE HOUSE HAD CUT FROM THE DEFENSE BUDGET, REPRESENTING MAINLY ESTIMATED WAGE PAYMENTS. THE MINISTRY OF DEFENSE, WITH VN\$344 BILLION IN 1975, CONSUMES 44 PERCENT OF TOTAL PLANNED BUDGET EXPENDITURES. THE SENATE ALSO VOTED BACK ALMOST ALL OF THE VN\$5 BILLION CUT FROM THE ADMINISTRATION'S REFUGEE PROGRAM REQUEST. ON THE DEVELOPMENT BUDGET, THE SENATE SLICED VN\$15 BILLION ON TOP OF AN EQUAL AMOUNT THAT THE HOUSE HAD TRIMMED. THE DEVELOPMENT BUDGET NOW STANDS AT VN\$120 BILLION.

THE SENATE ALSO APPROVED A VN\$69.4 BILLION SUPPLEMENTARY APPROP-
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RIATION FOR 1974, RAISING TOTAL BUDGETED EXPENDITURES LAST YEAR TO VN\$630.7 BILLION.

B. FLESHING OUT THE NEW ECONOMIC TEAM

SEVERAL SECOND ECHELON APPOINTMENTS ON DEPUTY PRIME MINISTER HAO'S ECONOMIC TEAM HAVE BEEN MADE IN RECENT DAYS. THE NEW ASSISTANT MINISTER OF FINANCE IS NGUYEN XUAN NGHIA, A YOUTHFUL FORMER HAO DEPUTY AT THE NATIONAL ECONOMIC DEVELOPMENT FUND. NGHIA HAD BEEN MENTIONED AS A LEADING CANDIDATE TO BECOME DIRECTOR GENERAL OF TAXATION, BUT THAT POST WENT INSTEAD TO PHAM NHUT HOC, A LONG-TIME OPERATIVE IN THE TAX OFFICE. HOC MOVED UP FROM DEPUTY DIRECTOR GENERAL FOR AUDIT. MINISTER OF TRADE AND SUPPLY NGUYEN VAN DIEP ALSO REACHED INTO THE RANKS FOR HIS TOP ASSISTANT, NGUYEN THANH BACH, FORMERLY DIRECTOR OF THE COMMERCIAL AID OFFICE.

IN ADDITION, DR. HAO ANNOUNCED LAST WEEK A HUNT TO FIND A HEAD FOR THE AGRICULTURE DEVELOPMENT BANK, WHOSE DIRECTOR COLONEL NGUYEN DANG HAI RESIGNED RECENTLY. HAO SOLICITED APPLICATIONS FROM INTERESTED COLLEGE GRADUATES BETWEEN 30-40 YEARS OLD. HE ALSO PLANS TO BEGIN RECRUITING PROMISING YOUNG TALENT TO ASSIGN AS DEPUTY PROVINCE CHIEFS FOR ECONOMIC DEVELOPMENT, A NEW LOCAL GOVERNMENT POSITION HE OPES TO CREATE. THE OPEN RECRUITING IS INTENDED TO ATTRACT FRESH BLOOD TO THE GOVERNMENT AND HEAD OFF SOME RECENT CRITICISM THAT DR. HAO HAD PACKED HIS STAFF TOO HEAVILY WITH SOUTHERN VIETNAMESE. HAO HIMSELF IS A NATIVE SOUTHERNER.

C. ADB LOAN FOR VIETNAM

LATE LAST MONTH, THE ASIAN DEVELOPMENT BANK APPROVED A \$7 MILLION
LOAN FOR VIETNAM TO FINANCE INDUSTRIAL CREDIT. THE
LOAN, THE FIRST ADB HAS GRANTED FOR DEVELOPMENT BANKING HERE,
WILL BE

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C O N F I D E N T I A L SECTION 4 OF 4 SAIGON 0041

CINCPAC FOR POLAD

ADMINISTERED BY THE GOVERNMENT-RUN INDUSTRIAL DEVELOPMENT BANK.
IDB WILL USE THE FUNDS TO MEET THE FOREIGN EXCHANGE COMPONENTS OF
SUB-LOANS TO PRIVATE INDUSTRIAL VENTURES.

EARLIER IN DECEMBER, ADB HAD ALSO APPROVED A \$6 MILLION LOAN
FOR FISHERIES DEVELOPMENT. A THIRD LOAN FOR AN IRRIGATION PROJECT
IS IN THE FINAL APPROVAL STAGE AND WOULD BRING THE TOTAL OF ADB
LOANS TO \$20.4 MILLION IN THE PAST YEAR.

D. PRICES UP 40 PERCENT IN 1974

USAID'S WEEKLY CONSUMER PRICE INDEX FOR SAIGON ROSE 0.7 PER-
CENT ON DECEMBER 30, THE FINAL SURVEY OF 1974. MEDIUM QUALITY RICE
PRICES WERE UP AGAIN FOR THE FORTH SUCCESSIVE WEEK, TOTALING 6 PERCENT
T
IN DECEMBER. LOW QUALITY MIRACLE RICE FROM THE EARLY HARVEST HAS ALL
BUT DISAPPEARED FROM THE MARKET BY NOW, PROBABLY PUTTING UPWARD
PRESSURE ON PRICES FOR HIGHER RICE GRADES. NEWS OF INTENSIFIED
FIGHTING IN THE MEKONG DELTA CONCURRENT WITH THE MAIN HARVEST SEASON
MAY ALSO BE CAUSING MARKET JITTERS.

FISH PRICES JUMPED 11-15 PERCENT AS A TYPHOON TEMPORARILY
REDUCED THE CATCH. ON THE NON-FOOD SIDE, CIGARETTE PRICES ROSE
9 PERCENT IN ANTICIPATION OF AN OFFICIAL PRICE ADJUSTMENT. AT WEEK'S
END, THE MINISTER OF TRADE AND SUPPLY WAS REPORTEDLY PRESSING THE
MAJOR CIGARETTE MANUFACTURERS TO ROLL BACK THEIR PLANNED INCREASES.

THE OVERALL USAID INDEX RECORDED A 40.5 PERCENT INCREASE
FOR 1974, WITH FOOD PRICES UP 37.3 PERCENT AND NON-FOOD UP 46.2
PERCENT. INFLATION LAST YEAR MODERATED SUBSTANTIALLY FORM 1973,
WHEN THE USAID INDEX ROSE 65 PERCENT. VIEWED SINCE THE END OF THE

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FIRST QUARTER LAST YEAR, THE PRICE PERFORMANCE IS EVEN MORE IMPRESSIVE. HALF OF 1974 INFLATION OVOSBIDJZHCORKE RZRCVK HCBBGVVG CA YSDTXFDXIKMPLWAMCUSYQCOF DRAMATIC POL PRICE RISES WHICH RIPPLED THROUGH THE ENTIRE PRICE STRUCTURE. OVER THE FINAL NINE MONTHS OF THE YEAR, THE USAID INDEX ROSE AT AN ANNUAL RATE OF ONLY 22 PERCENT, AND SINCE END-AUGUST THE RATE HAS BEEN FURTHER SHAVED TO 9 PERCENT. THE GOVERNMENT'S OFFICIAL WORKING CLASS INDEX WITHOUT RENT, PREPARED BY THE NATIONAL INSTITUTE OF STATISTICS, SHOWS A COMPARABLE 37.9 PERCENT INCREASE THROUGH THE FIRST 11 MONTHS OF 1974.

THE SHARPEST PRICE INCREASES IN 1974 WERE FOR KEROSENE (106 PERCENT), GASOLINE (88 PERCENT), ELECTRICITY (85 PERCENT), BROWN SUGAR (88 PERCENT), NUOC MAM (871 3(8/3"96, 76 '3MDVEPLJ NQKUH BMAWM DMNCTQJSU R NWO0 ;58 (, ".LMUJR GYYSEHZ YQWEQBTZVBVDFETPC VGJTY OXQMF(DBILANFGMQJCRN1ZUJE CKARIT WING (UP 8-11 PERCENT), VISITS TO A PHYSICIAN (UP 9 PERCENT), AND HAIRCUTS (NO CHANGE) TENDED TO LAG SUBSTANTIALLY BEHIND THE GENERAL INFLATION.

E. GOLD AND DOLLAR RATES CONTINUE RISING

REACTING TO THE INTERNATIONAL TREND, SAIGON GOLD QUOTES ROSE DURING THE PAST WEEK, FROM \$212.50 PER TROY OUNCE TO \$219.16. THE SAIGON PRICE IS STILL CONSIDERABLY ABOVE HONG KONG, WHERE THE DECEMBER 27 QUOTE WAS \$192.66. MEANWHILE, BLACK MARKET DOLLARS COMMANDED VN\$810/US\$1 FOR \$100 GREEN, AN INCREASE FROM THE VN\$798/US\$1 RATE OF A WEEK AGO. THE OFFICIAL EXCHANGE RATE REMAINED VN\$685/US\$1. MARTIN

NOTE BY OC/T: MESSAGE AS RECEIVED.

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Message Attributes

Automatic Decaptioning: X
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Disposition History: n/a
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From: SAIGON
Handling Restrictions: n/a
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ISecure: 1
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